

Hormel Foods

Inspired People.
Inspired Food.™

CAGNY

Q1 2018 Earnings Update

Jim Snee

Chairman, President, and CEO



Legal Disclosure

This presentation contains forward-looking information based on management's current views and assumptions. Actual events may differ materially. Please refer to the cautionary statement regarding Forward-Looking Statements and Risk Factors on pages 31-35 in the Company's 2017 annual report to stockholders available for viewing or download on the investor page of the Company's website – Hormelfoods.com

HRL listed NYSE

$9.2B
Fiscal Year 2017
Net Sales

Ranked
#8
OF THE 100 BEST CORPORATE CITIZENS

Hormel Foods

Inspired People.
Inspired Food.™

ABOUT
$18B
Market Capitalization

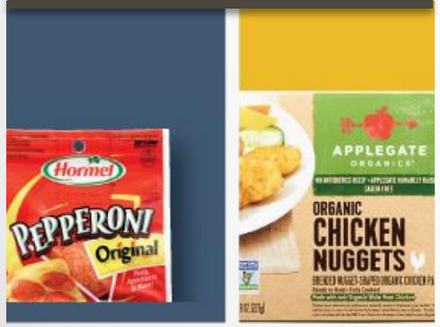
EARNINGS GROWTH
28
OUT OF LAST 32 YEARS

52
CONSECUTIVE YEARS
OF DIVIDEND INCREASES*

*Includes 2018 declared increase

Hormel Foods

Refrigerated Foods





Grocery Products







Jennie-O Turkey Store







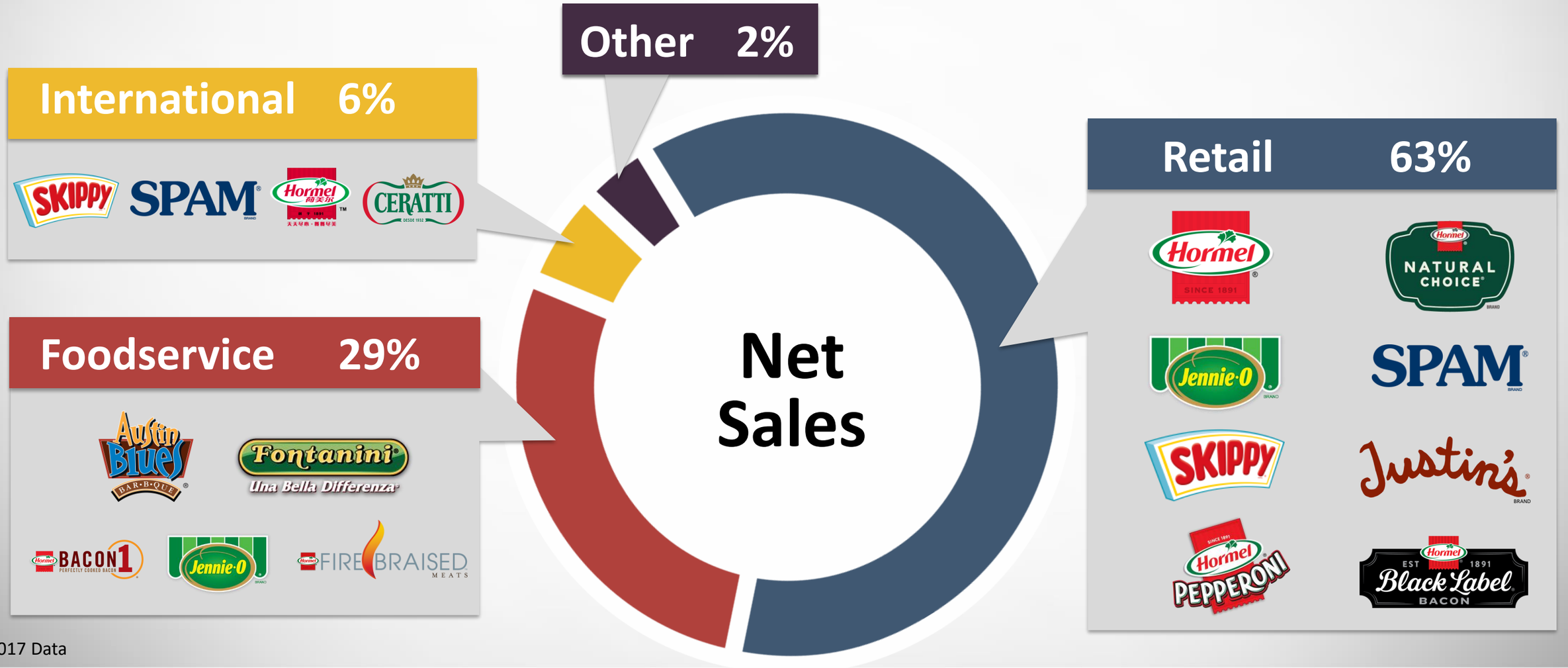
International & Other







Strong, Branded Presence Across the Food Space



Fiscal 2017 Data

Hormel Foods
Our Path Forward

Priorities from Investor Day - June 2017

- **EVOLVING** to a broader food company
- **EXPANDING** and accelerating foodservice
- **BECOMING** a more global food company
- **REDUCING** volatility and increasing balance
- **DIVESTING** non-strategic assets
- **MODERNIZING** our supply chain

5% TOP LINE GROWTH

10% BOTTOM LINE GROWTH

15% INNOVATION BY 2020

MARGINS IN TOP QUARTILE OF PEERS **BY 2020**



Key Messages for Today

1. Record Q1 earnings & FY18 guidance increased

2. Tax reform provides additional funds to invest into our business

3. Our new deli group will be the company's next growth engine



2018 First Quarter Results

FIRST QUARTER 2018 UPDATE

Organic Volume*

Lbs., In billions

Q1 2017 1.16

Q1 2018 1.15

- 2%

Organic Revenue*

In billions

Q1 2017 $2.18

Q1 2018 $2.20

+ 1%

Earnings Per Share

Q1 2017 $0.44

Q1 2018 $0.56

+ 27%

- Strong earnings growth in Grocery Products segment
- Positive impact from tax reform
- Continued challenges at Jennie-O Turkey Store
- Higher-than-expected freight costs

*Excluding Fontanini, Ceratti, and Columbus acquisitions, and Farmer John divestiture. See Q1 2018 press release for comparable GAAP measures.

Grocery Products

- Merger with Specialty Foods segment
- Strong, branded sales growth

- Higher earnings from MegaMex joint venture and lower SG&A expenses

Volume	Sales	Operating Profit
-1%	+1%	+8%







Tightly Integrating

Specialty Foods into Grocery Products

Grocery Products

SIMPLE MEALS

SPAM® BRAND
Hormel Chili SINCE 1891
Dinty Moore® BRAND
Hormel SINCE 1891 Compleats® MICROWAVE MEALS
PRIVATE LABEL

MEXICAN FOODS

MegaMex Foods
CON TODA CONFIANZA...ES HERDEZ® BRAND
WHOLLY AMERICA'S #1 GUACAMOLE® BRAND

NUT BUTTERS

SKIPPY® BRAND
Justin's® BRAND

FUNCTIONAL **NUTRITION**

MUSCLE MILK® BRAND
ELVE™ EVOLVE BRAND

Refrigerated Foods



- Branded sales growth across retail and foodservice

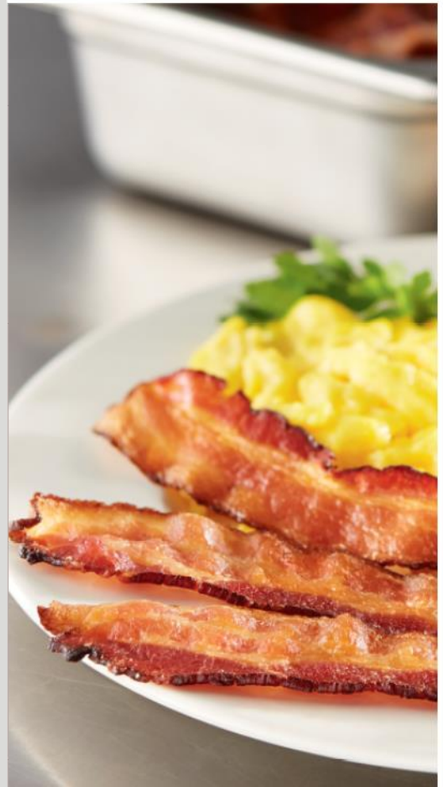
BACON 1 PERFECTLY COOKED BACON BRAND

Hormel MASTERPIECES Authentic Toppings

Hormel EST 1891 Black Label BACON

APPLEGATE CHANGING THE MEAT WE EAT

- Profits impacted by acquisitions, divestitures and freight
- Continued input cost volatility





Volume	Sales
-8%	+5%

Organic Volume*	Organic Sales*	Operating Profit
-1%	+4%	-18%

*Excludes certain adjustments during fiscal 2018. See Q1 2018 press release for comparable GAAP measures.

Jennie-O Turkey Store

- Sales growth of *Jennie-O*® lean ground turkey and *Jennie-O*® *Oven Ready*® products offset by lower whole bird sales







- Profits impacted by reduced harvest volumes, lower commodity prices, and higher freight costs
- Continued investments to support brand

Volume	Sales	Operating Profit
-4%	-7%	-27%







International & Other



- Sales growth led by *Ceratti*® brand, exports, and strong results in China

CERATTI DESDE 1932

Hormel 荷美尔



- Now producing *SPAM*® products in China
- Softer export margins due to higher input costs

Volume	Sales
+14%	+19%

Organic Volume*	Organic Sales*	Operating Profit
-3%	+2%	-3%

*Excludes certain adjustments during fiscal 2018. See Q1 2018 press release for comparable GAAP measures.







Modernizing Our Supply Chain

MORE THAN
30
PRODUCTION FACILITIES

BROAD
CO-PACKER
NETWORK

MORE THAN
10,000
SUPPLY ITEMS

MORE THAN
10,000
SKUs

SIMPLIFY

MODERNIZE

OPTIMIZE

RATIONALIZE

Internal data

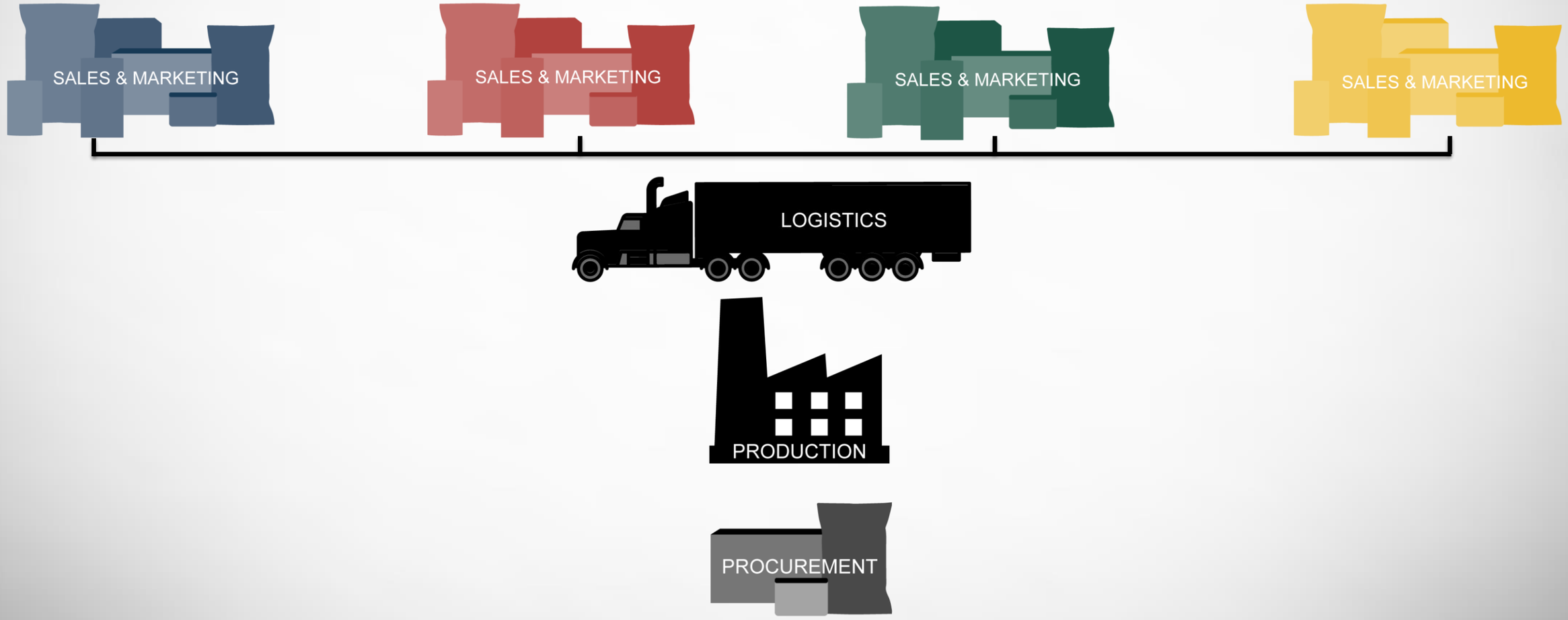
Supply Chain Integration on Track

Hormel Foods
GROCERY PRODUCTS

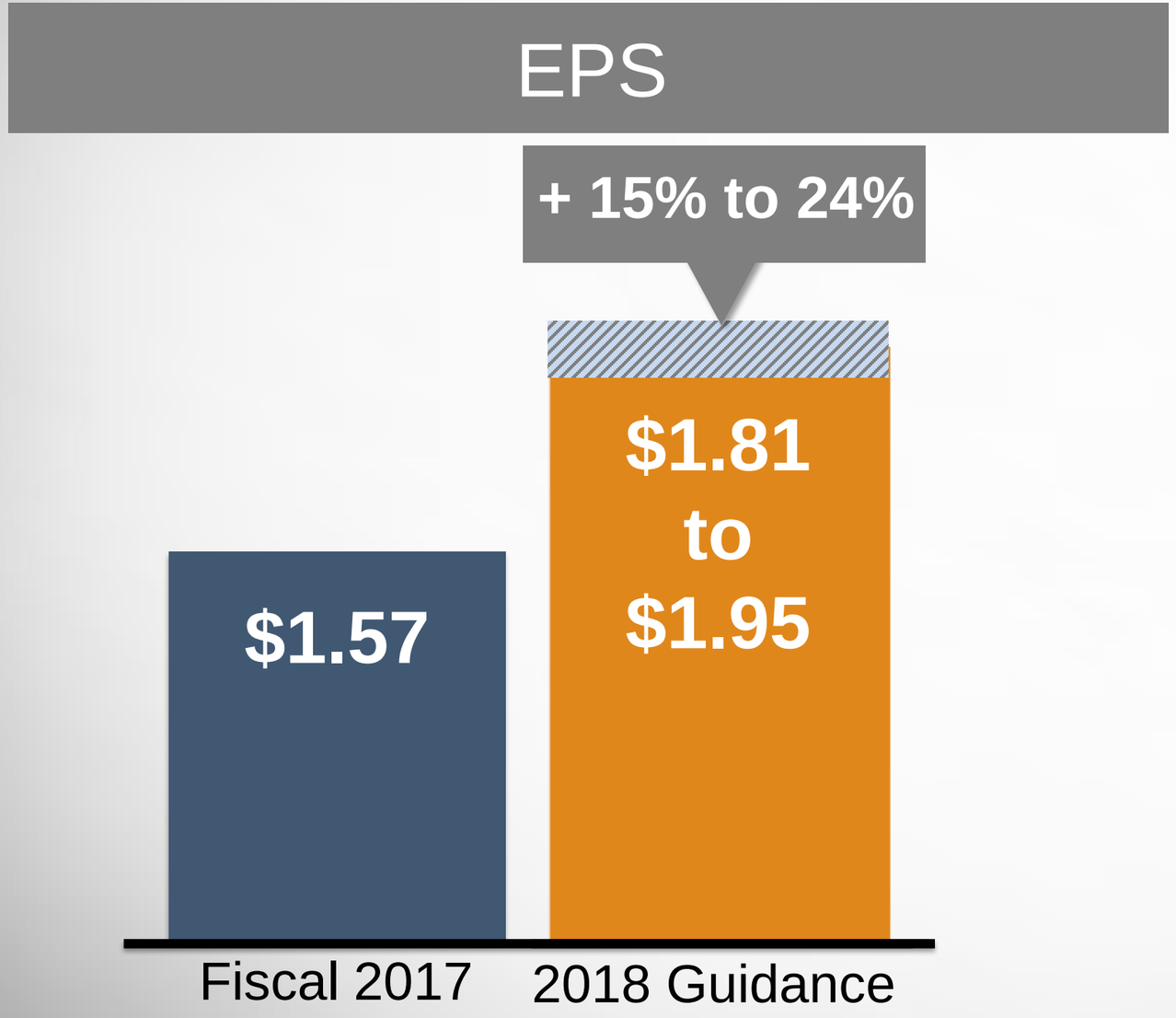
Hormel Foods
REFRIGERATED FOODS

Jennie-O TURKEY STORE

Hormel Foods
INTERNATIONAL



Fiscal 2018
Invest & Grow



- Grocery Products, Refrigerated Foods and International are on track
- Slower-than-expected recovery at Jennie-O Turkey Store
- Guidance increased due to tax reform

Jim Sheehan

Senior Vice President and
Chief Financial Officer



Key Drivers in Fiscal 2018

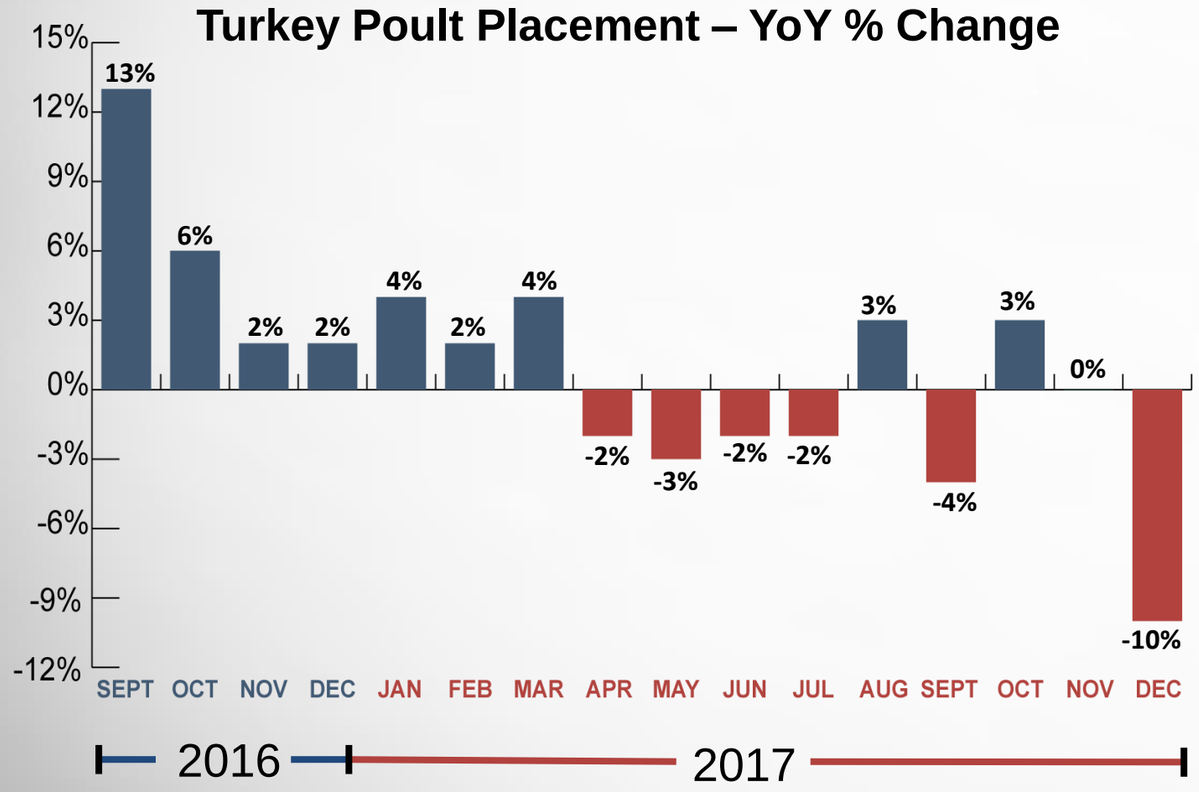
- A slower recovery in the turkey market
- New processing capacity in the hog industry
- Input cost volatility
- Rising transportation costs
- Tax reform

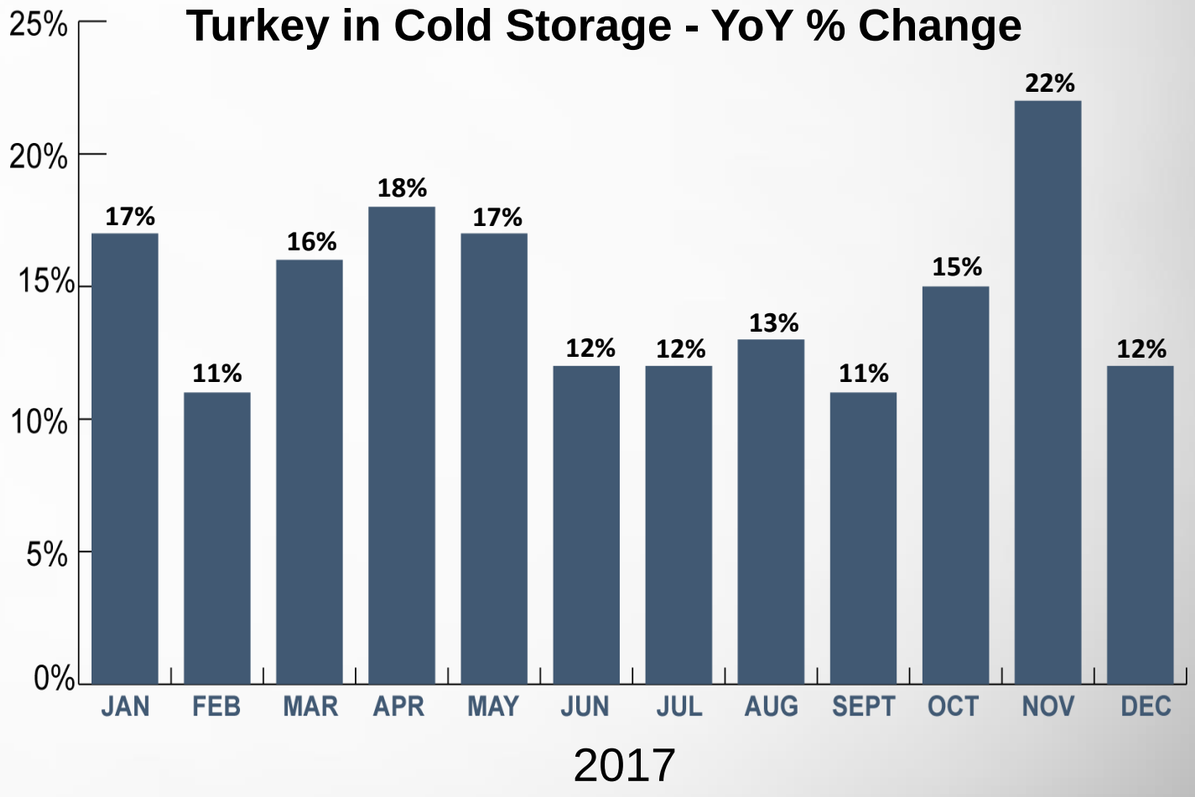






Industry Oversupply Leads to Continued Low Turkey Prices

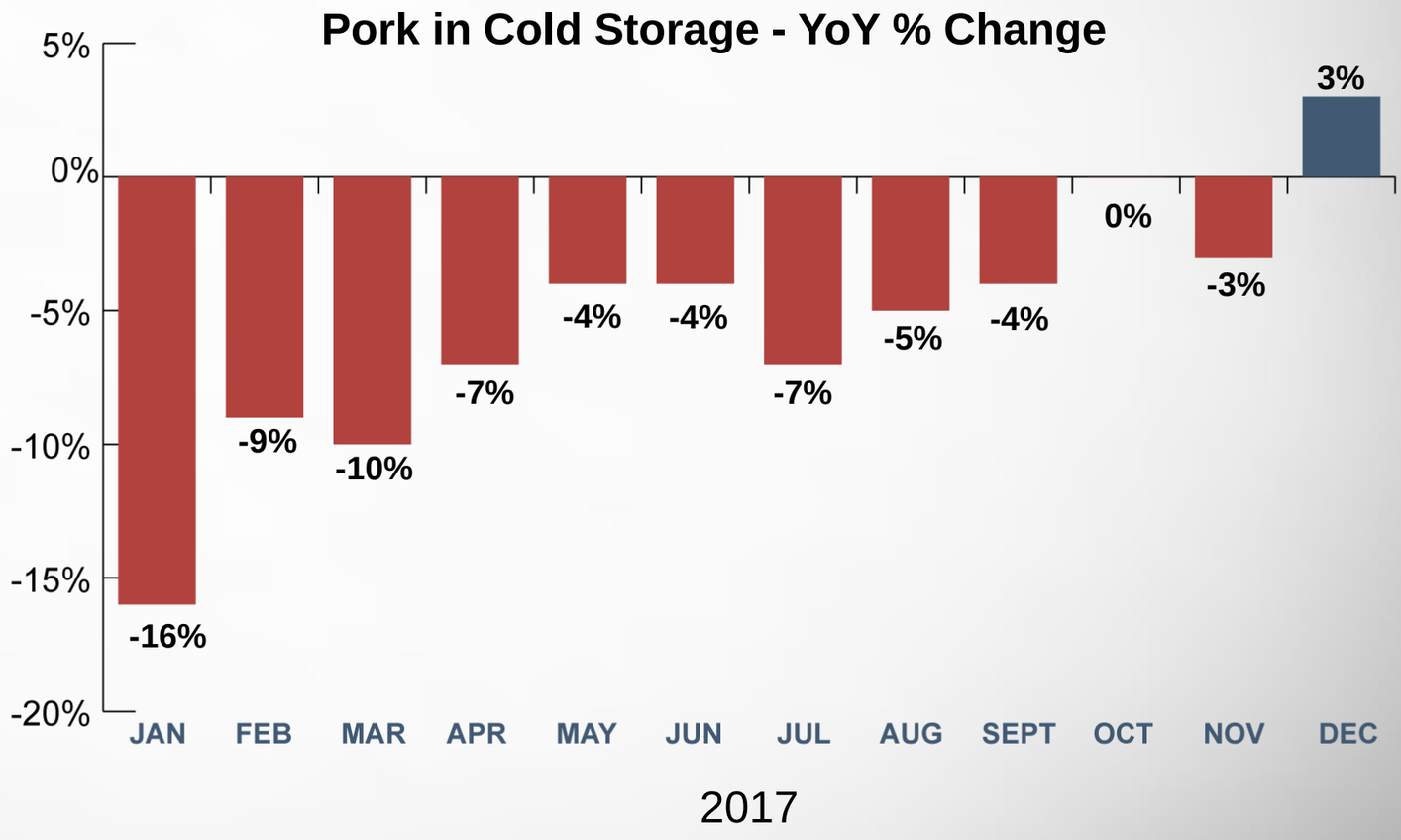




Source: USDA

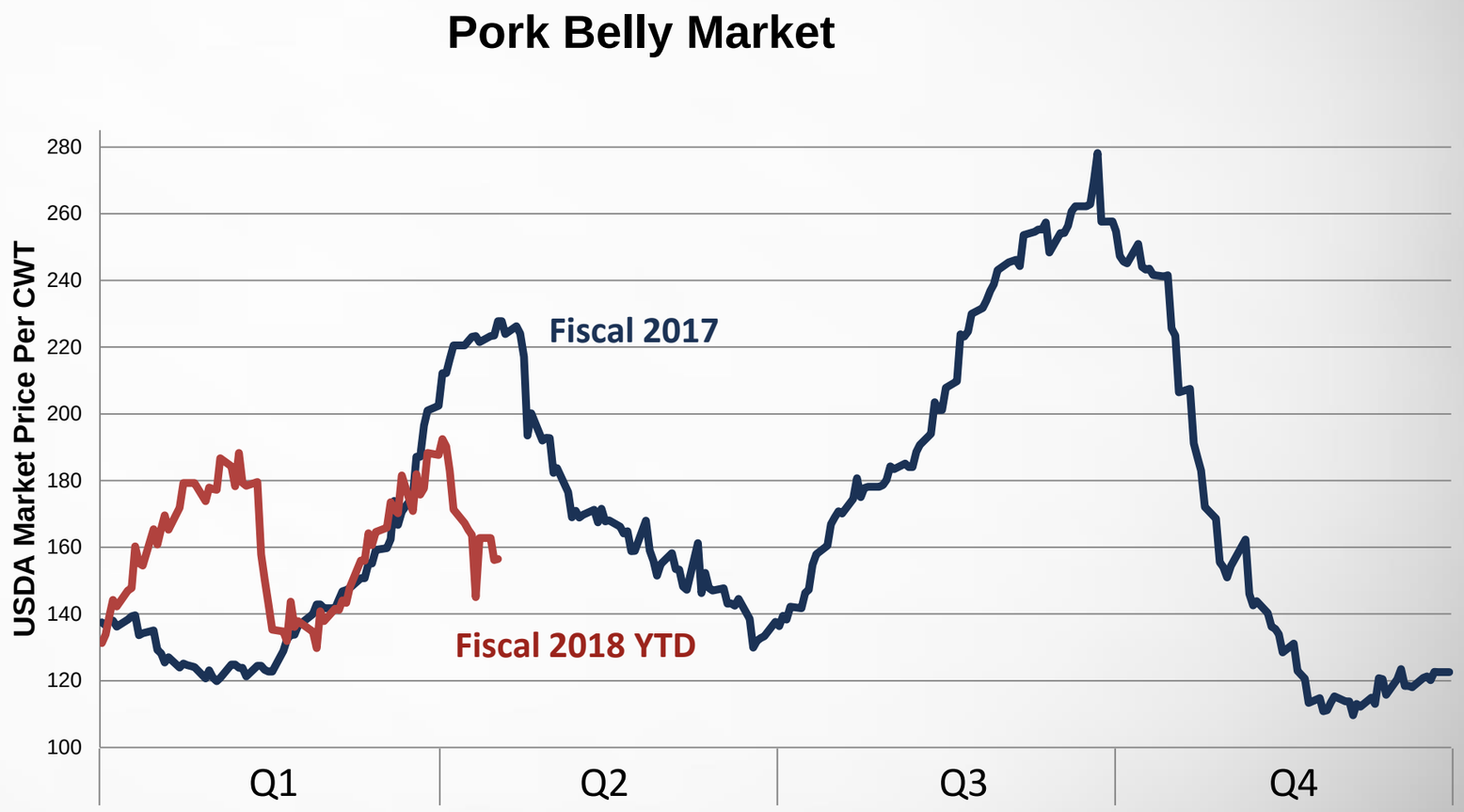
Hog Industry Supply and Demand in Balance

- Watching three factors
  - Export demand
  - Domestic demand
  - Overall supply & demand balance
- Strong hog supply growth
  - 2017: +3%
  - 2018: +3 to 4%
- Flexibility to adjust harvest as needed



Key Input Costs
In-Line with Expectations

Input	Q1 vs LY (% Change)
Hogs	17
Pork Bellies	13
Pork Trim	18
Beef Trim	43
Turkey Breast	(13)
Corn	Flat
Soybean Meal	Flat



Continued **VOLATILITY** Expected Near-Term

Rising Transportation Costs

- Freight costs higher than planned
- Will not fully recover increased freight costs during 2018
- Developing mutually agreeable and sustainable solutions with customers



Positive Impact from Tax Reform

	Q1 2018	Fiscal 2018
Previous Effective Tax Rate	33.7%	32.3 – 33.3%
Revalued Deferred Tax Liabilities	(19.2)	(5.3)
Drop in Statutory Tax Rate	(11.6)	(11.6)
Stock-Based Compensation	(3.3)	(0.2) – (0.1)
Mandatory Repatriation Tax	1.5	0.3 – 0.6
All Other Changes	(0.5)	2.0 – 3.6
Effective Tax Rate	0.6%	17.5 – 20.5%

FY19+ Expected Tax Rate Range: 21.5 – 24.5%



Tax Reform Will Provide a Significant Benefit to Cash Flows

~$110M ANNUAL BENEFIT







Investing for Growth

- Advertising
- Promotional activity
- Automation
- Technology
- Value-added capacity







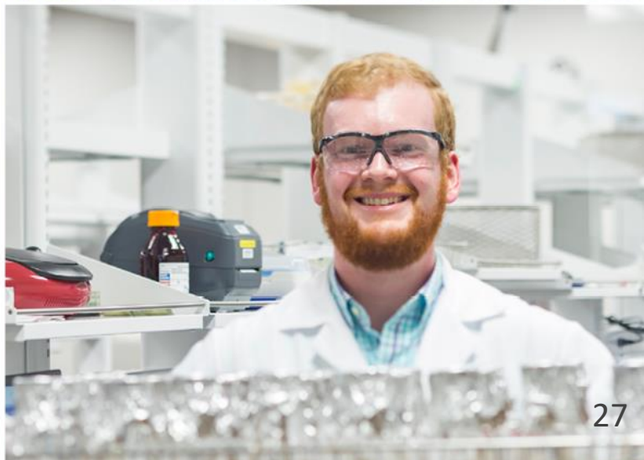
Investing in Our People and Our Communities

- Starting wage increases
  - $13/hr by end of CY18
  - $14/hr by end of CY20
- Stock option grants to 21,000 employees
- Increasing community donations by $25M over the next 5 years

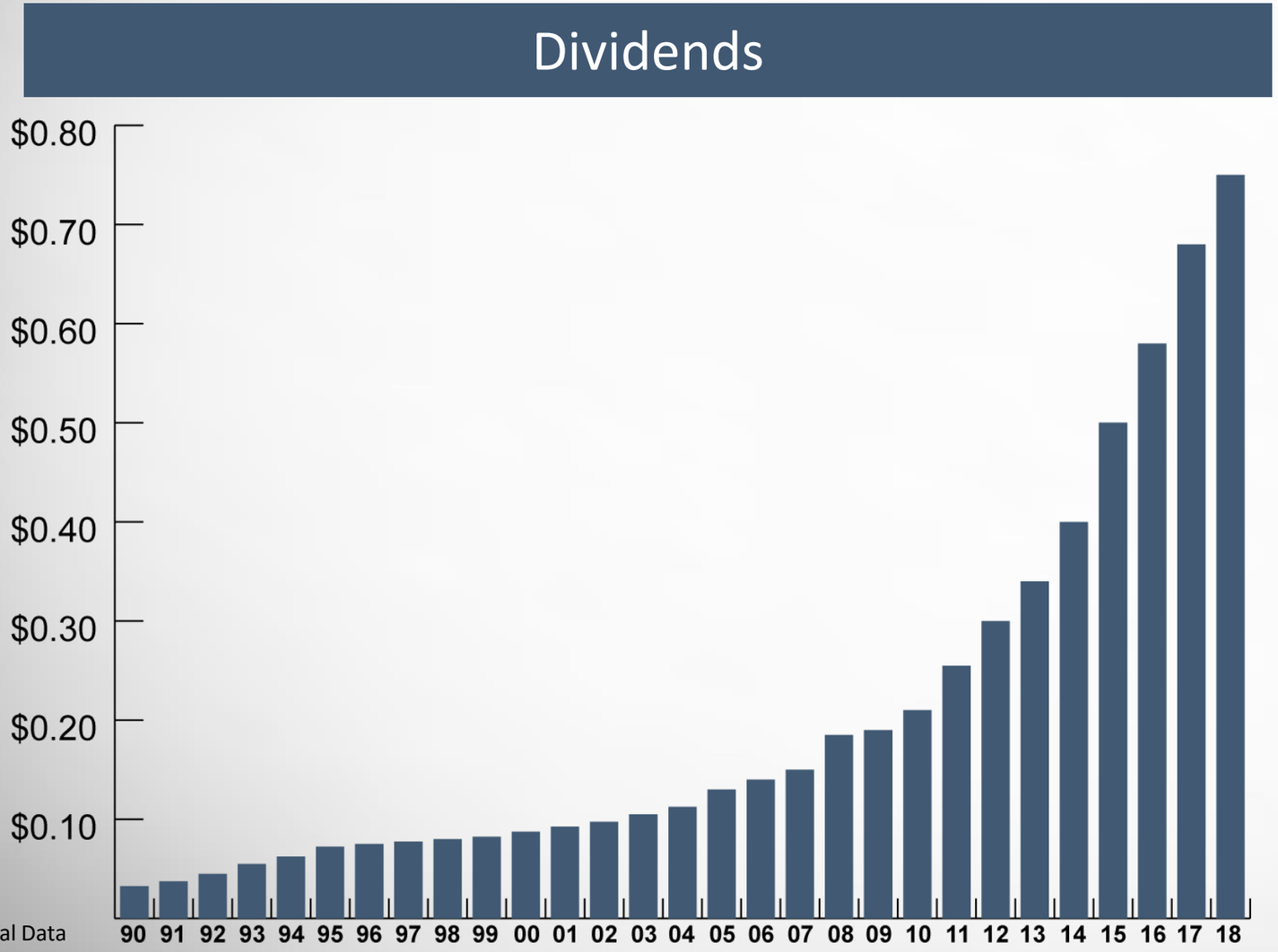








Commitment to Returning Cash to Shareholders



MAINTAIN
DIVIDEND
ARISTOCRAT
MEMBERSHIP

CONTINUE
SHARE
REPURCHASES

Internal Data

Optimizing the Balance Sheet for Growth

INVEST CAPITAL FOR GROWTH

$1.4B in Acquisitions*

$425M in Capex**

$880M IN DEBT

Less than 1x EBITDA

MAINTAIN INVESTMENT GRADE RATING

CURRENT RATINGS

MOODY'S: A1

S&P: A

Internal data as of fiscal Q1 2018; * FY17 and FY18 acquisitions of Ceratti, Fontanini & Columbus; **FY18 capex budget

On Track to Hit Key Milestones

- Fontanini integration
- Columbus integration
- Grocery Products + Specialty Foods
- Supply chain group
- New deli structure
- Zero basing expenses





Jim Snee

Chairman, President, and CEO



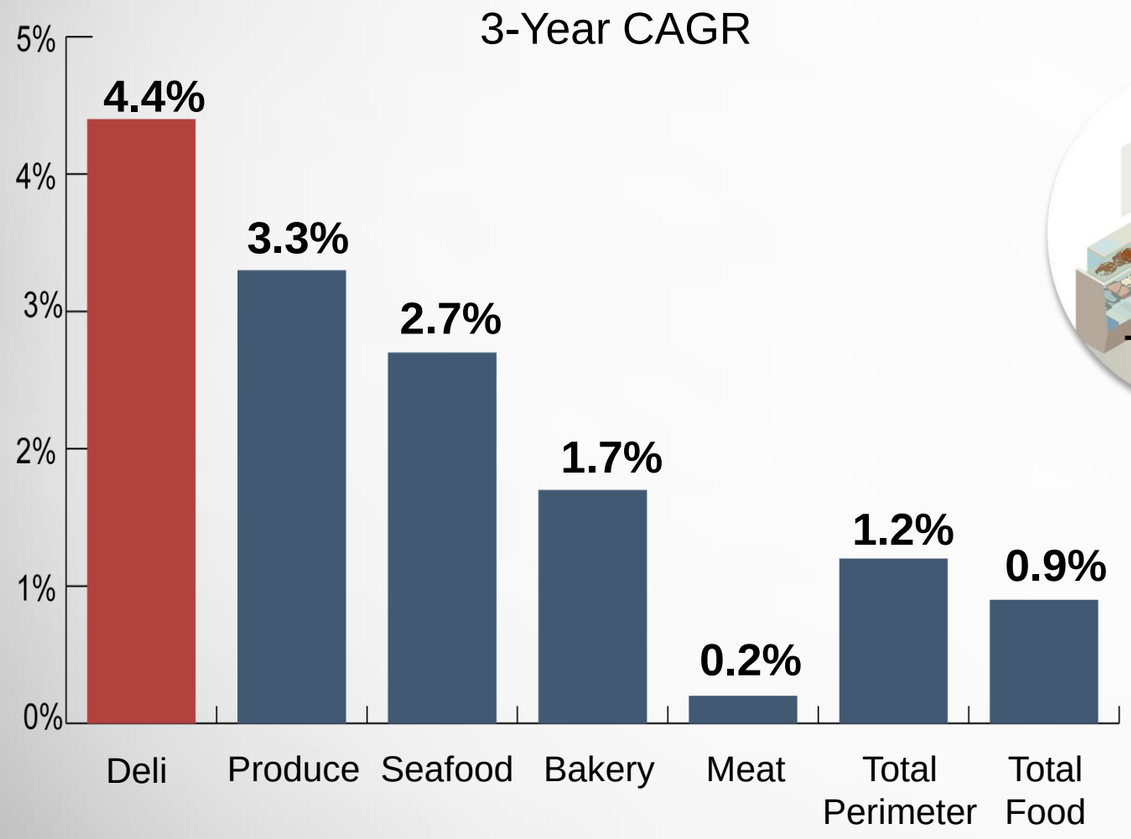
Hormel Foods: Poised for the Deli of the Future

1. The Deli Is a High-Growth, On-Trend Area of the Retail Grocery Store
2. With Columbus, Hormel Foods Is Well Positioned to Win in the Deli of the Future
3. Hormel Foods Deli: The Next Growth Engine



Deli Has Been Growing At Over 4x Total Food

Retail Deli Growth



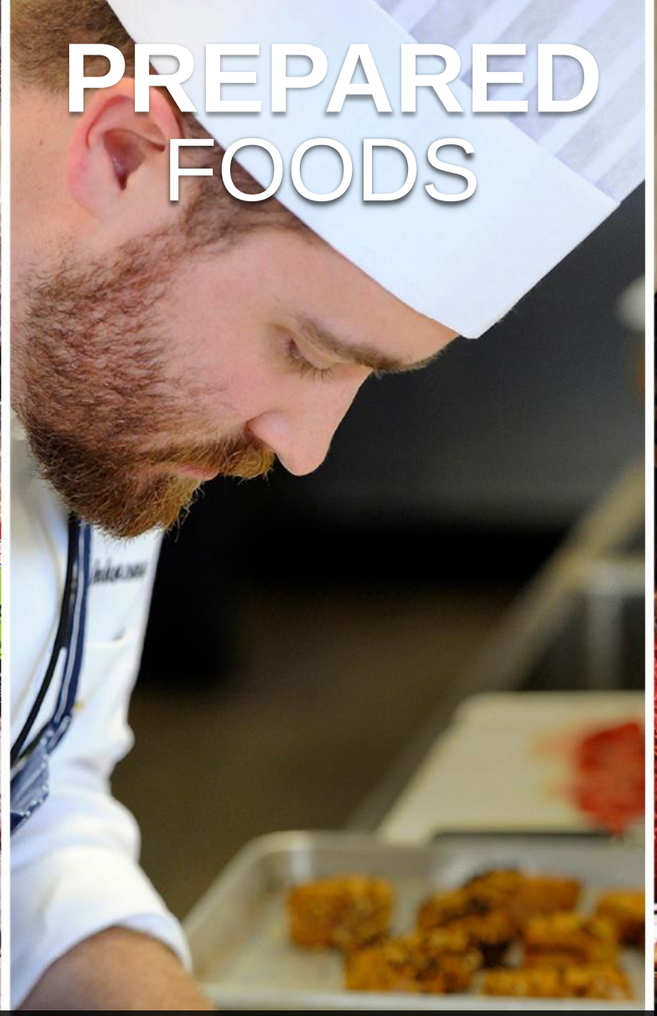
The Deli Footprint is Growing



Source: IRI Market Advantage, Total US MULO, 52 weeks ending 12/3/17. Includes behind the glass, grab & go and prepared foods.









$35B Category

$8.4B	$4.2B	$12.2B	$10.2B
+2.7%	+6.5%	+4.9%	+31%

*Category size and 3-YR CAGR - IRI Market Advantage, Total US MULO, 52 weeks ending 12/3/17.

*Category size and number of visits – The NPD Group/CREST®, 10-year CAGR ending December 2017

While the Deli is Growing, Opportunities Abound







LABOR

SHRINK

CHANGING CONSUMER PREFERENCE

Retailers have a Point of Difference

AUTHENTIC

FRESH

DISCOVERY

INSPIRATION



It is Clear – The Deli of the Past…



...Is Not the Deli of the Future.



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Hormel
Foods
and
COLUMBUS®
CRAFT MEATS

Basis for Competition in the Deli



BREADTH OF **OFFERINGS**

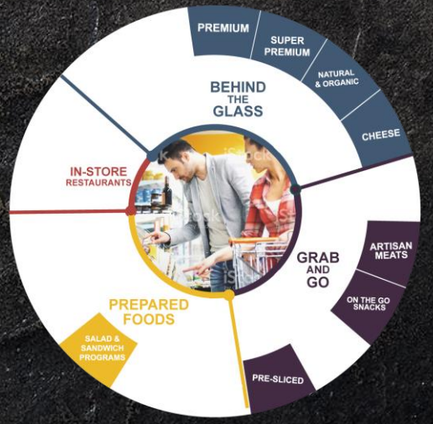
EXPERTISE

SCALE

An Unmatched Array of Deli Solutions



Competitor A



Competitor B



Competitor C



Competitor D



Strong Behind the Glass Expertise

Jennie-O BRAND

Hormel Austin Minn. 1891 Butcher Quality Meats

Quality • Authenticity • Flavor
DiLusso Deli Company
Anthony DiLusso
Since 1919

APPLEGATE
CHANGING THE MEAT WE EAT®



BREADTH OF OFFERINGS





Delivering Innovation in Grab & Go







BREADTH OF OFFERINGS



Foodservice Solutions for Prepared Foods

Hormel Foods FOODSERVICE

Jennie-O TURKEY STORE

Hormel The Performance Pepperoni BRAND

Café H BRAND

Hormel Bread Ready SLICED MEATS

Hormel BACON 1 PERFECTLY COOKED BACON BRAND

Hormel NATURAL CHOICE NO PRESERVATIVES 100% NATURAL

Old Smokehouse PECANWOOD-SMOKED PREMIUM BACONS

Hormel fuse burger

Fontanini Una Bella Differenza

Hormel SINCE 1891 Special Recipe BRAND

Hormel MASTERPIECES Authentic Toppings

Old Smokehouse MARKET CUT SHOULDER BACON FROM HORMEL FOODS

Hormel FIRE BRAISED MEATS

Austin Blues BAR-B-QUE





BREADTH OF OFFERINGS



Bringing Knowledge, Expertise and Powerful Brands to the Deli



Hormel Foods

FOODSERVICE

INNOVATIVE
SOLUTIONS



Jennie-O TURKEY STORE

TURKEY
EXPERTS



Hormel SINCE 1891 Brand

VALUE-ADDED
INNOVATOR



APPLEGATE
CHANGING THE MEAT WE EAT®

NATURAL
& ORGANIC
LEADER



CRAFT MEATS EST. 1917 SAN FRANCISCO

CRAFT
MEATS

Leveraging Our Proven

Foodservice Go-To-Market Strategy

EXPERTISE

DIRECT SALES
FORCE

SOLUTION-BASED
SELLING

THOUGHT
LEADERSHIP

INDUSTRY CHANGING
INNOVATIONS



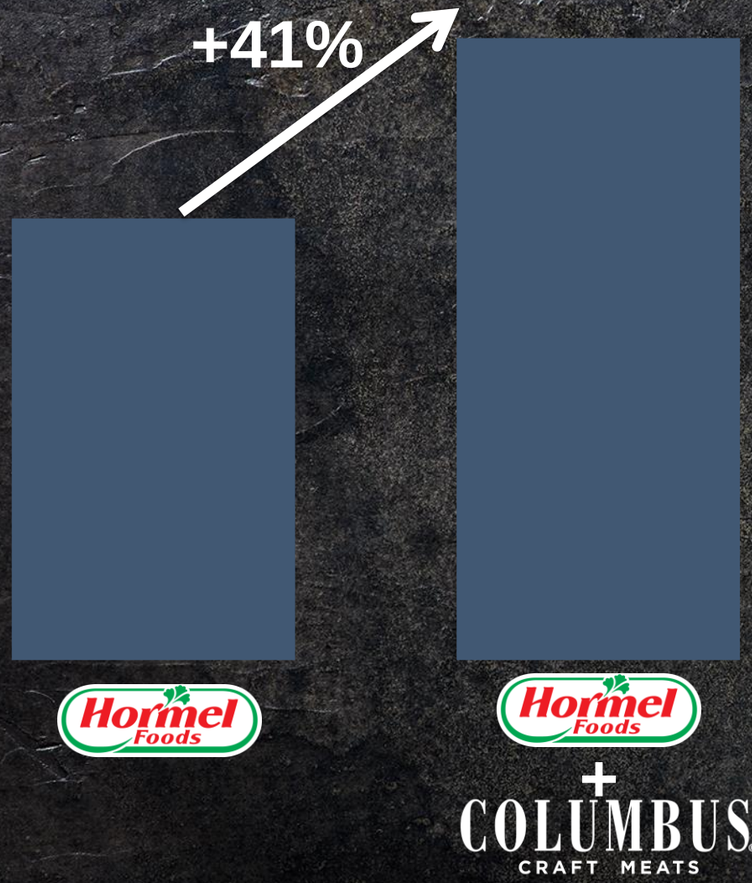
JEFF BAKER

GROUP
VICE PRESIDENT - DELI

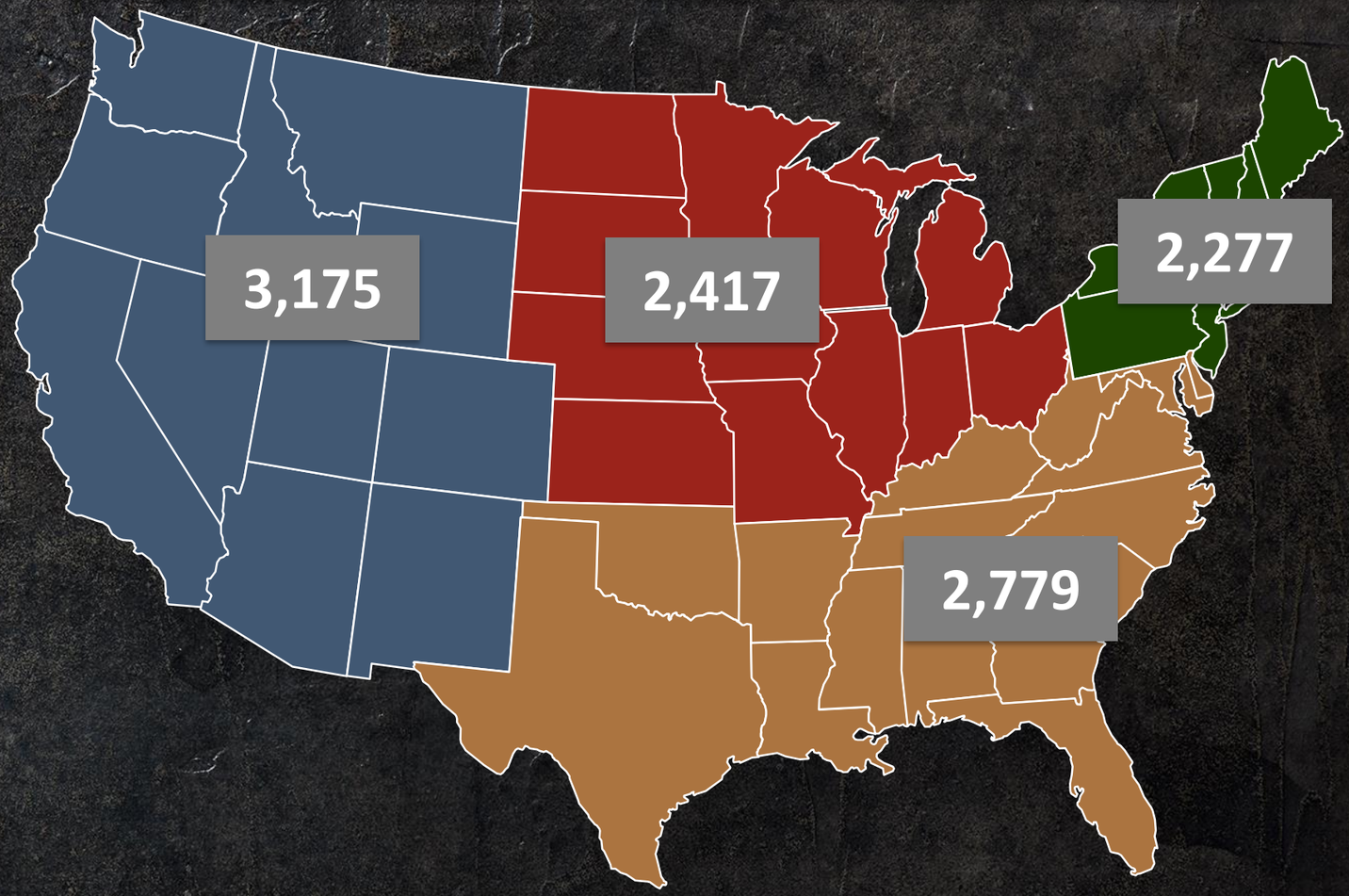
Columbus Expands our Nationwide Presence

SCALE

Total Points of Distribution



Combined Total Points of Distribution



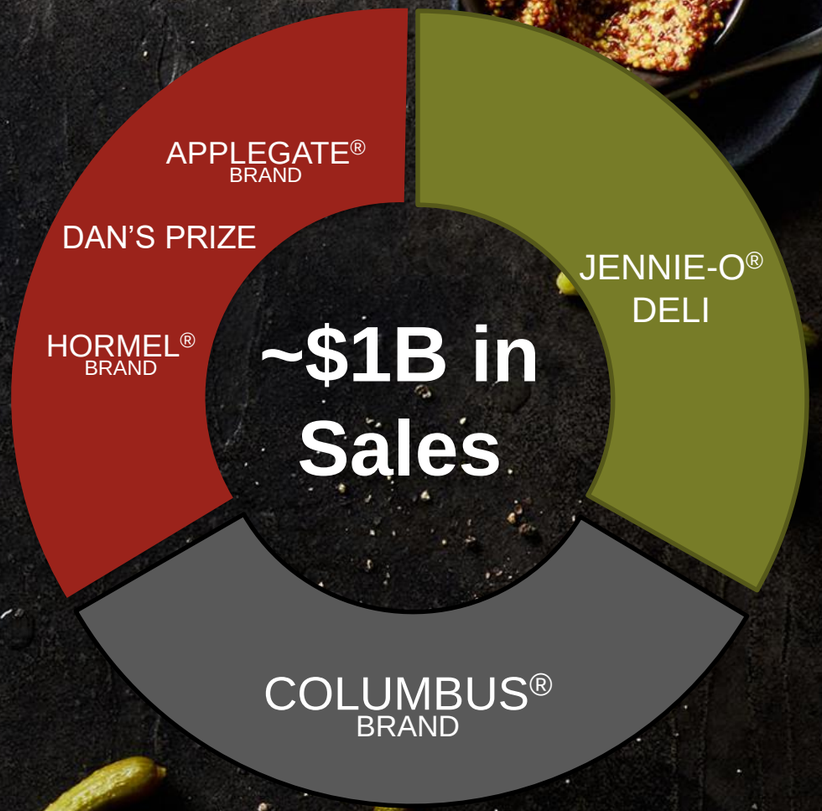
Source: IRI Market Advantage, Total US MULO, 52 weeks ending 12/3/17, Behind the Glass and Grab & Go Categories

Hormel Foods now has Meaningful Scale in the Deli

DIRECT SALES FORCE ACROSS ALL RETAIL SALES CHANNELS

CLUB | MASS | TRADITIONAL

SPECIALTY & NATURAL



Internal data as of fiscal Q1 2018

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A Profile of the New Leader in Deli

NET SALES	~$1B
TOP-LINE GROWTH GOAL	> 5%
GROWTH GOAL BOTTOM-LINE	> 10%



Internal data as of fiscal Q1 2018


SOPRESSATA
COLUMBUS
CRAFT MEATS
SAN FRANCISCO
PREMIUM

Key Messages for Today

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